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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

INTERNATIONAL LONGSHORE
AND WAREHOUSE UNION,

Debtor.

Case No. 23-30662 (HLB)

Chapter 11

**DEBTOR'S STATUS REPORT IN
ADVANCE OF NOVEMBER 16, 2023
STATUS CONFERENCE HEARING**

Hearing Date:

Date: November 16, 2023
Time: 10:00 a.m. (Pacific Time)
Place: Zoom / Telephonic
Judge: Hon. Hannah L. Blumenstiel

**TO: (1) THE HONORABLE HANNAH L. BLUMENSTIEL, UNITED STATES
BANKRUPTCY JUDGE FOR THE UNITED STATES BANKRUPTCY COURT FOR
THE NORTHERN DISTRICT OF CALIFORNIA; (2) TRACY HOPE DAVIS, THE
UNITED STATES TRUSTEE FOR REGION 17; (3) MARK M. SHARF, THE DULY
APPOINTED SUBCHAPTER V TRUSTEE IN THIS CASE; AND (4) ALL OTHER
PARTIES IN INTEREST:**

The International Longshore and Warehouse Union ("ILWU" and/or the "Debtor"), the debtor and debtor in possession in the above-captioned case (the "Chapter 11 Case"), submits this Status Report in advance of the initial status conference set by the Court for November 16, 2023 at 10:00 a.m. (Pacific Time), in compliance with section 1188(c) of Title 11 of the United States Code (the "Bankruptcy Code"), and in accordance with the Court's *Order Setting (A) Status Conference; (B) Claims Bar Date; (C) Deadline for Election Under 11 U.S.C. § 1111(b)(2); and (D) Other Deadlines* [Docket No. 22].

1 **1. DEBTOR’S ATTENDANCE AT § 341(a) MEETING OF CREDITORS**

2 On October 24, 2023 at 9:00 a.m. (Pacific Time), ILWU’s General Counsel, Lindsay
3 Nicholas, attended the section 341(a) meeting of creditors as the Debtor’s representative. Counsel
4 for ILWU were also in attendance. Ms. Nicholas answered all questions posed by the Office of U.S.
5 Trustee (the “OUST”), Mr. Sharf, the duly-appointed subchapter V trustee in this Chapter 11 Case,
6 and creditors. The section 341(a) meeting of creditors was continued to November 6, 2023 at 9:00
7 a.m. to complete creditor questioning.

8 **2. INITIAL DEBTOR INTERVIEW**

9 The United States Trustee scheduled an Initial Debtor Interview (the “IDI”) on October 19,
10 2023 at 3:15 p.m. (Pacific Time). The Debtor, its counsel, and Paladin attended the IDI and
11 answered all questions posed by the United States Trustee and Mr. Scharf.

12 **3. RETAINED ESTATE PROFESSIONALS**

13 On October 3, 2023, the Debtor filed applications for authority to employ (a) Pachulski Stang
14 Ziehl & Jones, LLP (“PSZJ”) as its general bankruptcy counsel [Docket No. 29], and (b) Paladin
15 Management Group, LLC (“Paladin”) as its financial advisor [Docket No. 31]. These applications
16 were approved by orders entered on October 11, 2023 [Docket No. 49] and October 13, 2023
17 [Docket No. 31], respectively.

18 On October 7, 2023, the Debtor filed its *Motion for Entry of Order (I) Authorizing*
19 *Employment and Payment of Professionals Utilized in the Ordinary Course of Business and (II)*
20 *Granting Related Relief* [Docket No. 47] (the “OCP Motion”). Pursuant to the OCP Motion, the
21 Debtor seeks authority to retain certain professionals in the ordinary course of business (*e.g.*,
22 accountants), without the need to file a separate, formal retention application. The OCP Motion is
23 scheduled to be heard on November 9, 2023 at 10:00 a.m. (Pacific Time), with objections due on
24 November 2, 2023.

25 The Debtor does not anticipate the need to retain any other professionals during the Chapter
26 11 Case but reserves all rights to do so.

27 In connection with the retention of PSZJ and Paladin, on October 25, 2023, the Debtor filed
28 its *Motion for Authority to Establish Procedures for Interim Compensation and Reimbursement of*

1 *Expenses of Professionals* [Docket No. 56] (the “Interim Compensation Motion”). The Interim
2 Compensation Motion is scheduled to be heard on November 16, 2023 at 10:00 a.m. (Pacific Time),
3 with objections due on November 9, 2023.

4 **4. FIRST DAY MOTIONS**

5 Employee Motion. On October 2, 2023, the Debtor filed its *Emergency First Day Motion for*
6 *Interim and Final Orders Authorizing Debtor to Honor Prepetition Obligations to Employees*
7 [Docket No. 7] (the “Employee Motion”). On October 4, 2023, the Court entered its *Interim Order*
8 *Approving Debtor’s Emergency First Day Motion for an Order Authorizing Debtor to Honor*
9 *Prepetition Obligations to Employees on an Interim Basis* [Docket No. 36]. A final hearing to
10 consider the Employee Motion will be held on November 9, 2023 at 10:00 a.m. (Pacific Time), with
11 objections due on November 2, 2023.

12 Cash Management Motion. On October 2, 2023, the Debtor filed its *Emergency Motion for*
13 *Entry of Interim and Final Orders Authorizing the Debtors to (A) Continue Operating Cash*
14 *Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain*
15 *Existing Business Forms, and (D) Granting Related Relief* [Docket No. 8] (the “Cash Management
16 Motion”). On October 4, 2023, the Court entered its *Interim Order Approving Debtor’s Emergency*
17 *Motion for an Order Authorizing the Debtors to (A) Continue Operating Cash Management System,*
18 *(B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing Business Forms,*
19 *and (D) Granting Related Relief, on an Interim Basis* [Docket No. 37] (the “Interim Cash
20 Management Order”). A final hearing to consider the Cash Management Motion will be held on
21 November 9, 2023 at 10:00 a.m. (Pacific Time), with objections due on November 2, 2023.

22 Since the entry of the Interim Cash Management Order, the Debtor has requested that all
23 bank accounts at Community Bank of the Bay be closed and the funds consolidated in the Money
24 Market Account (0045) at United Business Bank.¹ In addition, the Debtor has caused the Savings
25 Account (4001) and Certificate of Deposit Account (0009) at United Business Bank to be closed and
26 the funds consolidated in the Money Market Account. As a result, the Debtor has three (3)
27 remaining bank accounts at United Business Bank: (1) Money Market Account (0045); (2) Checking
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¹ The Debtor has been informed by Community Bank of the Bay that the request will be processed by November 2.

1 Account (0034); and (3) Certificate of Deposit Account (7645). The United States Trustee
2 consented to the Certificate of Deposit Account (7645) remaining open in order to avoid an
3 approximate \$7,000 early withdrawal penalty.²

4 The Debtor understands that the United States Trustee and representatives of United Business
5 Bank are in the process of executing a Uniform Authorized Depository Agreement, which would
6 negate the requirement to transfer the balance of the Money Market Account to another bank. As a
7 result, the Debtor has not transferred these funds as of the filing of this Status Report.

8 **5. POSTPETITION OPERATIONS**

9 The Debtor continues to operate as a non-profit labor organization in the ordinary course of
10 business. The Debtor's only material asset is its cash-on-hand, generated by monthly *per capita*
11 payments by local unions. As of the Petition Date, the Debtor had approximately \$9.5 million of
12 cash-on-hand. The Debtor also derives *de minimis* revenue from other sources, including interest on
13 its cash and intellectual property licensing fees related to a credit card program.

14 The Debtor's expenses primarily relate to its operation (administering the Constitution and
15 the procedures and processes set forth therein), program services (support to locals, education,
16 organizing, and conventions and other meetings), and administrative support services. A true and
17 correct copy of the Debtor's most recent (a) balance sheet, (b) income statement, (c) cash flow
18 statement, and (d) federal income tax return is attached to the petition.

19 The Debtor's first monthly operating report will be filed on or before November 20, 2023
20 and will cover the period from October 1, 2023 through October 31, 2023.

21 **6. EFFORTS UNDERTAKEN TO ATTAIN A CONSENSUAL PLAN**

22 On October 2, 2023, the Debtor filed its *Plan of Reorganization for Small Business Under*
23 *Chapter 11* [Docket No. 18]. On November 2, 2023, the Debtor filed its first amended *Plan of*
24 *Reorganization for Small Business Under Chapter 11* [Docket No. 60] (the "Plan"). As set forth in
25 the Plan, the Debtor proposes to give substantially all of its cash on hand to ICTSI (Oregon), Inc.
26 ("ICTSI"), except for a reserve for working capital necessary to enable the ILWU to maintain its
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28 ² This Certificate of Deposit matures on October 3, 2024 and has a current approximate balance of \$340,000.

1 operations and rebuild. Importantly, the Plan provides ICTSI with more than it would otherwise be
2 entitled to under the Bankruptcy Code (*i.e.*, the recovery is higher than (a) the Debtor's projected
3 disposable income for the next 5 years and (b) the liquidation value of its assets on the projected
4 effective date of the Plan). In order to preserve estate resources and exit bankruptcy as expeditiously
5 as possible, the Debtor sought to establish a confirmation hearing on November 9, 2023, in
6 accordance with applicable rules.

7 On October 3, 2023, ICTSI filed its *Response and Reservation of Rights re Debtor's First*
8 *Day Motions* [Docket No. 28] and an accompanying 300+ page declaration, which previewed the
9 potential issues ICTSI intends to litigate in this Chapter 11 Case, including whether the Chapter 11
10 Case was commenced in bad faith, (ii) whether the debtor is eligible for relief under subchapter V of
11 chapter 11 of the Bankruptcy Code, and (iii) whether claims against third parties exist.

12 As a result of ICTSI's anticipated opposition to the Plan, the Debtor and ICTSI negotiated
13 the form of *Order Setting Schedule in Connection With Plan Confirmation Process and Related*
14 *Deadlines*, which was entered by the Court at Docket No. 59 (the "Confirmation Scheduling
15 Order"). Pursuant to the Confirmation Scheduling Order, fact discovery shall be completed by
16 December 22, 2023, and the Court will hold a pre-trial scheduling conference on January 18, 2024 at
17 10:00 a.m. (Pacific Time).

18 In accordance with the Confirmation Scheduling Order, on October 20, 2023, ICTSI served
19 its first set of discovery requests, which included 35 separate requests for documents. The Debtor is
20 in the process of responding to these discovery requests in accordance with the Confirmation
21 Scheduling Order.

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1 In light of the potential issues raised by ICTSI, the Debtor anticipates that constructive
2 discussions regarding the Plan will not take place (if at all) until ICTSI substantially completes its
3 discovery in December 2023.

4 Dated: November 2, 2023

PACHULSKI STANG ZIEHL & JONES LLP

5
6 /s/ Jason Rosell

Debra I. Grassgreen

7 Jason H. Rosell

8 *Counsel to the Debtor*
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